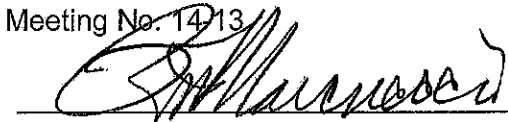
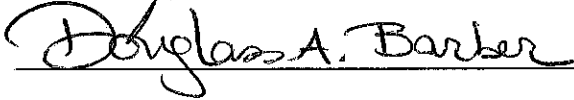


APPROVED: Meeting No. 14-13

ATTEST:

MAYOR AND COUNCIL
ROCKVILLE, MARYLAND

October 22, 2012

7:00 p.m.

Meeting No. 34-12

Present:

Mayor Phyllis Marcuccio, Councilmember Tom Moore, Councilmember Bridget Donnell Newton, and Councilmember Mark Pierzchala. Councilmember John Hall was absent.

Staff Present:

City Manager Barbara Matthews, City Clerk/Treasurer Doug Barber, and City Attorney Debra Daniel.

1. Convene

The Mayor and Council convened in a regular meeting at 7:00 p.m. on Monday, October 1, 2012, in the Mayor and Council Chambers, Rockville City Hall, 111 Maryland Avenue, Rockville, Maryland.

2. Pledge of Allegiance

Mayor Marcuccio led the Pledge of Allegiance.

3. Agenda Review

City Clerk Barber advised there were no changes to the agenda.

4. City Manager's Report

City Manager Matthews reported on the following items:

- Online survey on the City's website
- Photo Contest to celebrate National Community Planning Month

- Rockville named a Bicycle Friendly Community by the League of American Bicyclists

5. Appointments/Reappointments and Announcement of Vacancies

Mayor Marcuccio announced that there are vacancies for the following Board and Commissions: Board of Appeals, Historic District Commission, Human Rights Commission, Human Services Advisory Commission, Planning Commission, Sign Review Board, and Traffic and Transportation Commission. Mayor Marcuccio encouraged residents to visit the City's website for information on how to apply.

6. Proclamation Recognizing Rockville Holiday Drive

Councilmember Moore read the proclamation.

Motion: To approve a proclamation recognizing the Rockville Holiday Drive.

Moved by Councilmember Newton, seconded by Councilmember Pierzchala and unanimously approved.

Dr. Joey Jones, Principal of Robert Frost Middle School, accepted the Proclamation. Students from Maryvale Elementary, St. Mary's Catholic School, and College Gardens Elementary School received their donation boxes for the Holiday food drive.

7. Presentation of the Good Neighbor Award Recognition

The Mayor and Council read the names of the nominees along with a short bio for each followed by the presentation of a certificate and a group photo. The nominees included:

- Milton Weinstein
- Greg Hazlett
- Robert Follit
- Ann Barnhill
- Tom Mulholland
- Niveen Mulholland
- Steve Cordell
- Richard Zeidman
- Susan Prince
- Don Kettlestrings

8. Presentation of the American Public Works Association Plaque and Recognition of Team Members for the College Gardens Park and Stormwater Management Pond Project

This item was introduced by Director of Public Works Simoneau who gave a brief overview of the project. The following individuals were recognized for their work : Mr. Jim Fetzhu of Charles P. Johnson and Associates; Mr. John Slater, President of Slater and Associates; City Staff members Lise Soukup, Marylou Berg, Mike Critzer, Susan Straus, Nick Lewis, Fred Williford, Dwayne Jenkins (former City employee), Burt Hall (former Recreation and Parks Director); and Councilmember Mark Pierzchala.

Councilmember Pierzchala thanked the Task Force and members from the community who were involved in the project for their hard work and many contributions. He read a list of about 40 names of citizens in College Gardens, and others who helped with the project.

9. Citizens' Forum

<i>Citizen</i>	<i>Issue</i>
Arc Varma	Book Reading
Steve Ashman	RHE and Fireside Park Apartments
Noreen Bryan	RHE and Fireside Park Apartments
Tom Curtis	Overgrown Tree on City Street in King Farm
Cathy Berman	RHE and Fireside Park Apartments
Ken Sandin	Maryland Dream Act and Marriage Equality Act
Margaret Chao	RHE and Fireside Park Apartments

10. Mayor and Council's Response to Citizen's Forum and Announcements

Councilmember Pierzchala	Thanked Mr. Varma and was looking forward to getting a copy of the book. Responded to Mr. Curtis that King Farm is not the only area in Rockville with overgrown trees.
Councilmember Moore	Responded to those that spoke on Fireside Park Apartments and stated everyone was hungry to get as much information as possible. Thanked Mr. Curtis for the information on the tree and thought it should definitely be looked into. Thanked Mr. Sandin and stated the ballot questions were very important to lots of Rockville residents.

Councilmember Newton

Also thought the tree issue in King Farm should be looked into.

Mayor Marcuccio

Responded that there would be a discussion on the Fireside Park Apartments issue later in the meeting and encouraged folks to stay and listen to that conversation.

11. Mayor and Council's Report

Mayor Marcuccio noted that this item has now been moved from the end of the agenda to this current spot. Councilmember Pierzchala mentioned that the Mayor and Council had all attended the Police Station dedication and Antique Car Show. Councilmember Pierzchala also attended the Halloween Party at Lincoln Park and the Fallsmead Homeowners' Association meeting and was pleased with the excellent turnout.

Councilmember Newton congratulated Chief Treschuk on the Police Station dedication and stated the car show was well attended. The Town Center Action Team met and Mr. Rick Hood, owner of Dawson's Market, and Mr. Mark Dubick of Duball, were in attendance.

12. Consent Agenda - Authorization to Increase FY13 Water Main Rehabilitation Contracts by \$1,500,000 and Approval of a One-Year Contract Extension (FY14) to Mid-Atlantic Utilities and Sagres Construction in the Not-to-Exceed Aggregate Amount of \$3,340,000 for the Water Main Rehabilitation Program

Motion: To approve the Consent Agenda.

Moved by Councilmember Pierzchala, seconded by Councilmember Moore and unanimously approved.

13. Worksession – Discussion of City Support for Rockville Housing Enterprises' Acquisition of Fireside Park Apartments to Preserve Mixed-Income, Affordable Rental Housing in the City of Rockville

City Manager Mathews introduced the item and stated that this is in follow up to the Mayor and Council discussion on October 8, 2012. Ms. Matthews said that representatives from the Montgomery County Department of Housing & Community Affairs (DHCA), Rockville Housing Enterprise (RHE) and Priderock are present for the discussion this evening. Ms. Matthews introduced Mr. Rick Nelson, Director of the Montgomery County Department of Housing and Community Affairs, who presented an overview of the rental housing market in Montgomery County, the benefits of a partnership between the City of Rockville and RHE. Highlights of Mr. Nelson's presentation included:

- Very confident in the quality of the deal; low element of risk.

- Due to the excellent location, the property will always have high occupancy.
- Private investors who usually participate in projects like this hold the property for 5-7 years and then flip it. DHCA would like to counteract this and see permanent affordability.
- Loan provider (Citibank) has strong experience in multifamily financing; good prospect for refinancing in year 7.
- RHE is planning, in a systematic manner, to make improvements to the property which will benefit the Fireside residents and the City of Rockville as a whole.
- The goal is for everyone to have a range of housing choices in Rockville; that a variety of rental opportunities are available for folks working every day jobs.

There was broad and lengthy conversation by and between the Mayor and Council and Mr. Nelson, highlighted as follows:

- The success rate in other multifamily properties that DHCA has acquired; no red flags in DHCA's evaluation of the Fireside deal; DHCA plays the role of a banker in these projects, applying sound business practices in looking at the proposal.
- Future projects - have the conversation up front between DHCA and the purchaser with respect to Rockville's percentage requirements on affordable housing; percentage of subsidized units in DHCA projects in other areas (Germantown, Bethesda and Wheaton) and who qualifies for affordable units.
- Concerns from residents that this is not what a Housing Authority does; there has been a shift over the last 15 years and this practice has become more commonplace; also concerns about the appropriateness for a government to be involved in a project like this. Instead, step aside and let the market take care of the problem. Due to the economy over the last 4 or 5 years, the private sector has struggled and DHCA was the primary source for providing affordable housing. The role for the government is to ensure that affordable housing continues.
- More public private partnerships and more mixed income communities rather than low income housing communities works well; makes for a richness in the community; there needs to be a balance to help all segments of the community.
- Does it make more sense to provide more housing using the voucher program rather than acquiring the property?
- Fireside is a naturally occurring affordable project. The current rent level for market rate is below the market and the intent is to keep it that way. The goal of DHCA is to spend money to maintain that in the long term.

- Property has not yet been appraised. The age of the property will be almost 60 years old by the time it comes up for consideration. How can we move without a careful study of the conditions if there is no appraisal? Due diligence takes care of this. The purchaser will inspect the property and the banks will require an appraisal before they provide the money. The age of the property is important, but the physical condition of the property is also important. The physical inspection will tell you the quality of the property.
- Fireside is not in a deteriorated condition. Priderock is talking about upgrading the units but there are no serious problems.
- There is some indication that low income housing credits may disappear. Congress has discussed making some modifications to the low income housing tax credit but not likely to happen. If it does, there will be other alternatives that can be developed to finance the project after 7 years. The real estate/development industries are very creative.

Mr. Ed Duffy, Chairman of RHE, addressed the Mayor and Council and introduced Steve Marr, who serves on the RHE board, and Bryan Kim from Cornerstone, who presented a PowerPoint on the best way that RHE, the County and the City could come up with structuring the deal for RHE to purchase Fireside Apartments and what the County was offering to mitigate some of the risk for the City.

Cornerstone, RHE and City staff responded to many questions of clarification and comments from the Mayor and Council.

Mr. David Khoury from Priderock briefed the Mayor and Council on Priderock's proposal to buy and improve the property, and provide a strong level of affordability at Fireside Park Apartments. Mr. Khoury stated it was important for Priderock to work with the County and the City. He walked the Mayor and Council through his PowerPoint presentation and followed by responding to questions of clarification and comments from the Mayor and Council.

Mr. Mark Viani, an attorney for Priderock, provided the Mayor and Council with some perspective on the awkwardness of the entire process and expressed his appreciation for the time and effort put in by all to try and find a common solution.

Note for the Record: The Mayor and Council took a break at 10:05 p.m. The meeting reconvened at 10:17 p.m.

Note for the Record: Mayor Marcuccio noted that Item #14 (Discussion and Instructions - Retirement Plan Design Study) would be moved to next week's agenda (Monday, October 29, 2012) with the agreement by all Councilmembers present.

The Mayor and Councilmembers dismissed RHE, Priderock and Cornerstone representatives while the Mayor and Council returned to their discussion regarding RHE's acquisition of Fireside Park Apartments and asked further questions of clarification from staff. Councilmember Newton requested a comparison of the City's and Montgomery County's PILOT with both RHE's most

recent proposal, and Priderock's, so the Mayor and Council can actually see what the total taxes paid by each entity would be. Councilmember Newton asked to receive the information by the end of the week if possible. Finance Director Cohen responded to questions posed by the Mayor and Council. Director Cohen noted that the Finance Department could show the Mayor and Council a schedule of the PILOT and what it means over a period of time but was not sure it could be compared with Priderock's.

Councilmember Pierzchala requested that staff walk the Mayor and Council through the financials in the green sheets. Mr. Pierzchala noted that the CIP budget item was scheduled for this week and understood why it was moved, but it should be part of the RHE discussion based on the City finding a way to pay for the RHE purchase and perhaps it affecting the CIP. Councilmember Pierzchala noted that he would like to have a full discussion on the CIP. Mr. Pierzchala further stated he did not think a decision by the Mayor and Council could be made next week and would like to receive additional input from staff. City Manager Matthews stated the clock is ticking because there is a signed contract as of October 17, 2012, and the 30 day due diligence clock started. Councilmember Pierzchala suggested November 5, 2012, as a decision date in order to absorb all the information. City Manager Matthews stated that RHE is looking for a signal from the Mayor and Council as to whether or not the body is inclined to support RHE's acquisition of the property irrespective of any City financial involvement.

City Manager Matthews further stated there were two resolutions: (1) supporting the acquisition of the property and (2) the City's financial involvement; and both resolutions are needed. If the Mayor and Council are not comfortable supporting RHE's acquisition of the property, basically everything is dead. City Manager Matthews asked for comments from members of the RHE Board. The Mayor questioned the whereabouts of the appraisal. Steve Marr responded that the appraisal is underway and if the appraisal comes in at the wrong amount, the financing does not occur and RHE is out of the picture. There will also be a physical inspection of the property and there may be requirements from the inspection that would need to be met in order for the deal to go through.

Councilmember Moore noted there are only three possible ways this could pan out. First, the appraisal comes in low and the financing is dead and nobody loses any money. Second, the appraisal could come in at just the right amount and the deal goes forward either with RHE or Priderock. Third, the appraisal comes in high and RHE would be getting a great deal. This summation was confirmed by the RHE representatives and seconded by Finance Director Cohen.

There was concern that there has been a new twist every time they receive additional information. City Manager Matthews responded that, in terms of the change in the financing, she asked the County for alterations in how the deal was structured in response to the Mayor and Council's concerns. Ms. Matthews encouraged the Mayor and Council to walk through the information provided in this week's agenda packet. It is the goal to make sure the Mayor and

Council have the best information possible as it is a challenging decision for each of them. City Manager Matthews further suggested the CIP discussion be scheduled for October 29, 2012.

City Housing Planner Wilson responded to questions of clarification. The Mayor and Council discussed at length the map provided by Ms. Wilson of Affordability of Housing by Units. Questions of clarification were responded to by members of RHE and City staff with respect to options to finance a loan to RHE. Finance Director Cohen provided a brief overview of Option # 2 and Option # 3. The Mayor and Council asked Finance Director Cohen if there was a downside to getting the loan from the County, and Mr. Cohen responded he did not believe there was.

14. Discussion and Instructions – Retirement Plan Design Study

The discussion of the item has been moved to the October 29, 2012, meeting.

15. Review and Comment Regarding Mayor and Council Action Report

No comments.

16. Review and Comment Regarding Future Agendas

In terms of the October 29, 2012 meeting, staff would like to know if the Retirement Plan Design Study should remain on the agenda. The Mayor and Council confirmed that this item would remain on the October 29 agenda. The CIP review that had been postponed is now ready to go. The Mayor and Council agreed to have a follow up discussion on next week's agenda regarding the RHE acquisition of Fireside Park Apartments.

17. Old/New Business

No comments.

18. Adjournment

There being no further business, the meeting adjourned at 12:04 a.m.

Motion: To adjourn.

Moved by Councilmember Pierzchala, seconded by Councilmember Newton and unanimously approved.